

Labor Trends Report - August 2000

Table of Contents

	Page
1. Description of the Labor Sector	1
1.1 The Cambodian Federation of Independent Trade Unions	2
1.2 The Cambodian Unions Federation	2
1.3 The Free Trade Union of Workers of the Kingdom of Cambodia	3
1.4 The Cambodian Labor Union Federation	3
1.5 The National Independent Federation of Textile Union in Cambodia	3
2. Recent Highlights and Developments	4
3. Working Conditions in Cambodia	5
_ Non-discrimination in Employment	5
_ Prohibition of Forced or Bonded Labor	5
_ Prohibition of Exploitative Child Labor	6
_ Freedom of Association	6
_ Collective Bargaining	7
_ Acceptable Conditions of Work	7
4. Key Labor Indicators	8
5. Directory of Labor Organizations	9

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1. Description of the Labor Sector

Cambodia has an agrarian economy with more than three quarters of the workforce engaged in agriculture. The vast majority of agricultural workers are subsistence rice farmers, many of whom supplement their income with hunting, fishing or part time employment. The United Nations Development Program estimates that 39.5 percent of the population falls below the poverty line, which is defined as the minimum income required to provide 2,100 calories per day and basic items such as clothing and shelter.

Cambodia has experienced very high rates of population growth, averaging 2.7% per year over the past two decades, which is now reflected in a labor force increase of about 150,000 people per year. A planned military downsizing of approximately 10,000 soldiers per year between 2000 and 2002 will further increase this figure. Cambodia's labor force is largely unskilled.

The Cambodian economy was stagnant during the 1980's, and since the establishment of a market economy in 1991 growth has been inconsistent, and averaged only 3.2% per year. According to a 1999 joint Cambodian Government-World Bank poverty assessment, economic growth in the agricultural sector (1% per year) did not keep pace with the increase in population. Thus Cambodia is beginning to experience a significant migration from rural to urban areas, and from labor intensive agriculture to industrial employment.

Industrial workers only accounted for 6.4 percent of the work force in 1999. Of these, an estimated 100,000 Cambodians work in the rapidly expanding garment industry. The government places a priority on attracting investment to the agricultural and industrial sectors. Investment in agriculture may improve productivity, but is not likely to create a net increase in employment opportunities. Thus job creation in Cambodia will likely be limited by the growth of the industrial sector. To date, the government has not been successful in encouraging the growth of new industries, except for garment manufacture, which is an anomaly created by the availability of export quota for the U.S. market. What happens in the garment industry, however, will likely set the stage for the development of workers rights in other industries.

The Ministry of Social Affairs, Labor and Youth Rehabilitation (MOSALVY) is responsible for issuing labor regulations, and MOSALVY's labor inspection department is responsible for enforcing the labor law. MOSALVY also chairs Cambodia's tripartite Labor Advisory Committee (LAC). MOSALVY conducts frequent workplace inspections and mediates workplace disputes. However, the government's enforcement efforts have been hampered by a lack of resources, little knowledge of the law by factory managers and a lack of qualified labor inspectors. MOSALVY's ability to enforce the labor code is severely limited. Penalties are insignificant and factories frequently defy Ministry orders. MOSALVY routinely refers cases to the courts, where unions complain of corruption, long delays, and inaction. The government has not yet created a labor court system, as required under the Labor Law.

All of Cambodia's labor unions also suffer from a lack of resources, training and experience. As a result, they have so far been unable to form an effective partnership with the government that would ensure that working conditions complied with the high standards envisioned in Cambodia's Labor Law.

The U.S. Embassy estimates that only one to two tenths of one percent of Cambodia's labor force is organized. Unionization of the work force is not significant outside the industrial sector, and within the sector it is highly concentrated in the garment industry. As of June 2000, only 16 out of 106 registered labor unions are in industries other than garments. These include two independent tobacco unions, and 14 federation-affiliated unions in the rubber, cement, wood processing and hotel and beverage industries.

Collectively, Cambodia's five registered labor federations/national unions boast membership exceeding 80,000. However, these figures seem to represent cumulative, out-of-date or entirely fictional information. The U.S. Embassy estimates that 5,000-10,000 workers in the garment industry are members of labor unions, and that these account for the vast majority of Cambodia's unionized labor force.

All registered garment factory unions fall under one of five trade federations/national unions. The level of activity of these garment unions varies widely, but all share in common a low level of competence and maturity, posing a great challenge to effective labor advocacy and collective bargaining. None of Cambodia's labor federations/unions are controlled by or officially affiliated with the government. One national union is linked to, but not controlled by, the opposition Sam Rainsy Party. None of the federations/unions are yet able to support themselves financially on the basis of dues collected from their membership. Each has a seat on the LAC. Profiles of the five federations/national unions follow:

1.1 The Cambodian Federation of Independent Trade Unions (CFITU):

CFITU is the direct descendant of Cambodia's former communist-era national trade union, but has been formally independent since May 1999. CFITU claims to have over 20,000 members in 38 enterprises, including about 20 garment factories. The remainders of CFITU unions are in state-owned or former state-owned rubber, cement and beverage industries, and the Sihanoukville port.

The level of activity of CFITU unions varies considerably from enterprise to enterprise. CFITU has well-established unions in some factories where the workers are aware of the union and participate in its activities. In other enterprises, union awareness seems to be limited to a handful of individuals. CFITU is working to expand its membership, reinvigorate its constituent unions and increase its revenues through the collection of dues. The federation places a priority on preventing its members from participating in labor demonstrations.

1.2 The Cambodian Unions Federation (CUF):

CUF claims to have 38,000 members, 95 percent of whom work in the garment industry. CUF is registered in 20 garment factories and 7 other enterprises. CUF also receives funding

from the ILO for its cooperation in the ILO's International Program for the Elimination of Child Labor. CUF's president serves as vice-chairman of the LAC, and frequently represents Cambodia's labor movement at international functions. On the ground, however, CUF is not one of Cambodia's most assertive labor unions. CUF workers rarely participate in demonstrations and union leaders have publicly downplayed problems in the workplace. The U.S. Embassy has observed that the level of union awareness in CUF factories varies considerably.

1.3 The Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC):

FTUWKC is organized as a single national labor union, and claims about 9000 members in 25 garment factories, plus a few hundred members in the rubber industry. Since early 2000, however, FTUWKC has separately registered 8 garment factory unions with MOSALVY. FTUWKC maintains an affiliation with the opposition Sam Rainsy Party. The U.S. Embassy has observed that FTUWKC's leadership maintains close contact with its rank and file, and that the union is highly active in bringing worker grievances to the attention of employers and the government, and is prone to calling strikes or holding demonstrations. FTUWKC has also taken a very public role in pressing for improved workers rights in general. In 2000, for example, FTUWKC initiated a successful campaign to increase the minimum wage for garment workers. Some FTUWKC protests have involved violence on the part of demonstrators. FTUWKC endures considerable criticism from government officials who publicly dismiss FTUWKC's labor activism as mere opposition politics. FTUWKC was officially registered in 1998 after MOSALVY relaxed its rules for trade union registration to allow for unitary national unions.

1.4 The Cambodian Labor Union Federation (CLUF):

CLUF claims to have about 2400 members in 10 factories, and is in the process of rebuilding itself from a state of complete inactivity. CLUF is the successor to the Free Unions Federation (FUF), whose then-president was also an investor with garment factory interests, as well as advisor to Cambodia's Prime Minister. In its heyday, FUF claimed to have over 38,000 members in 96 garment factories, but there is little evidence that the union ever existed anywhere other than on paper. Oddly, MOSALVY re-registered the federation under its new name in July 1999, and CLUF elected a new president in January 2000, even though the federation was completely inactive at those times. CLUF's president, Som Aun, comes from a white-collar union of employees of a small real estate company owned by the same investor who created FUF. Embassy cannot determine how CLUF obtains funding.

CLUF's leadership has issued a number of lavishly pro-government public statements this year, admonishing its members not to participate in labor demonstrations. As a registered labor federation, CLUF has a strong official voice on labor policy through its seat on the Labor Advisory Committee.

1.5 The National Independent Federation of Textile Union in Cambodia (NIFTUC):

Garment factory workers created NIFTUC as a federation of grassroots labor unions with assistance from the Cambodian Labor Organization (CLO), a local NGO. NIFTUC and four

constituent unions officially registered with MOSALVY in August 1999. NIFTUC now claims to have more than 14,000 members in 13 garment factories.

NIFTUC maintains close contact with its rank and file, has been a vocal advocate for its members. NIFTUC has staged several strikes and demonstrations over the past year. Violence occurred during several NIFTUC demonstrations, sometimes initiated by union members. Despite their high level of energy, NIFTUC's lack of experience and financial resources has severely limited their effectiveness in advancing the interests of their members. To realize its potential, NIFTUC will need a great deal of training and other assistance. Unfortunately, since May 2000, the federation has been embroiled in a very public dispute with CLO, which began when a NIFTUC factory union accepted money and other favors from a garment factory manager with whom they had a long-standing dispute.

2. Recent Highlights and Developments

Cambodia has made notable progress in the area of workers rights in the past several years. In 1997, Cambodia replaced its communist-style labor code with a highly-detailed, progressive law which guarantees freedom of association and the right to strike, provides for the free registration of labor unions and collective bargaining, and sets a minimum age of employment. The Labor Law only covers the formal employment sector (defined as jobs in which there is an employer-employee relationship), however, which the ILO estimates represents less than 10 percent of the labor force.

Only a small fraction of Cambodia's labor force is organized. However, union activity is significant in the garment industry, which accounted for \$597 million in exports (69% of Cambodia's total exports) in 1999. About 200 garment factories now employ over 100,000 workers. Cambodia secured Normal Trade Relations status from the United States in 1996, and GSP treatment in 1997. In 1998, Cambodia also signed a ground-breaking textile agreement with the United States linking quota levels to Cambodia's compliance with internationally recognized core labor standards. Roughly 75 percent of Cambodian garment exports go to the United States, with the remainder going to Europe. (Cambodia enjoys duty-free and quota-free access to the EU apparel market.)

The Cambodian government has publicly taken a progressive stand on labor rights. Cambodia ratified 7 ILO core conventions in August 1999, and continues to refine its policies and improve implementation of the Labor Law. In late 1998, the Cambodian government liberalized procedures for trade union registration, a step which directly increased the number of officially recognized labor unions. The year 1999 saw the establishment of the tripartite Labor Advisory Committee (LAC), which has begun performing its legally mandated role to review and bless labor regulations. In July 2000, the LAC exercised its mandate to review minimum wages for the first time, approving the first increase in the minimum wage for workers in the garment and footwear industry since 1997.

Despite its resource constraints and poor enforcement record, the Cambodian government has been active on the labor front. MOSALVY conducted 574 labor inspection visits in the first half of 2000. Both the Minister of Commerce and the governor of Phnom Penh held meetings in

2000 with the managers of all of Cambodia's garment factories in which they reminded employers of their obligation to obey the Labor Law.

In July 2000, the Ministry of Commerce and MOSALVY issued a joint declaration to improve enforcement of the labor law. The declaration created an interministerial committee that will review labor-related complaints from various sources, and recommend penalties keyed to the severity of the violation. Penalties can include suspension of export privileges.

There were 76 strikes in Cambodia during 1999, and 35 in the first 7 months of 2000. None were carried out in accordance with the law. The government has permitted all peaceful labor demonstrations in the past two years, and has shown great restraint even when some demonstrations have become violent. The garment industry criticized the government for its restraint when some violence and property damage occurred during widespread labor demonstrations in June 2000. Most, but not all, strikes stemmed from worker complaints that employers were not complying with the labor code. In the past year, Cambodia's unions have developed the ability to express their grievances in terms of alleged violations of the Labor Law. This increasing sophistication reflects the benefits of training provided by the ILO, CLO and others.

There is no public social safety net for workers in Cambodia. MOSALVY has drafted legislation to create a national pension, an unemployment insurance system, and a workers compensation scheme. Given the Cambodian government's tight budgetary situation, quick passage and implementation of such legislation is not likely.

3. Working Conditions in Cambodia

Non-discrimination in Employment:

Working conditions in Cambodia appear to comply with internationally recognized core labor standards pertaining to non-discrimination in employment.

Prohibition of Forced or Bonded Labor:

Forced or bonded labor is not evident in Cambodia's formal employment sector. Conditions in Cambodia's commercial sex industry however, raise serious concerns about both forced labor and human trafficking. Although no one has done a comprehensive survey of Cambodia's commercial sex industry, it is easy to see that the industry is openly thriving and that many commercial sex workers are under age. A survey of prostitution, done by a human rights NGO in 1995, indicated that 31 percent of female prostitutes were between the ages of 12 and 17. Half of the girls involved were sold into prostitution by their families and forced to work as prostitutes. The ILO reports that many rural families allow their daughters to go to the city to jobs described as honest and well paid, which lead in reality to exploitative and/or slavery-like situations. Various levels of the Cambodian government have taken action to rescue under age or trafficked women from prostitution, but do not do so consistently.

Prohibition of Exploitative Child Labor:

Accurate information about the prevalence of exploitative child labor in Cambodia is difficult to obtain. The Labor law establishes 15 years as the minimum age for employment. However, the law permits children between 12 and 15 to engage in "light work" that is not hazardous to their health and does not affect school attendance. (MOSALVY has not defined what constitutes "light work.")

According to the Ministry of Planning, about 17% of children between 5 and 17 are economically active. More than half of these are over 14, and 89% are engaged in agriculture. Only 4% of economically active children are engaged in industrial work. They have been found in brick factories, rubber plantations, plywood factories, salt factories, sawmills and small family enterprises. Child labor is not prevalent in the garment industry.

With assistance from the ILO, the Ministry of Social Affairs, Labor, Vocational Training, and Youth Rehabilitation has established a child labor unit to investigate and suppress child labor. The Ministry is nevertheless hampered by inadequate resources, staff and training. Cambodia ratified ILO convention 138 (minimum age) in August 1999 and disseminated information about its content to employers. MOSALVY has conducted four workshops to educate members of the National Assembly and Senate regarding convention 182 (worst forms of child labor) and has submitted it to the Council of Ministers for approval so they can submit it to the National Assembly for ratification. Observers report that Cambodia's existing domestic legislation on child labor is still too broad, however. The labor law does not cover employment in the informal sector of the economy, for example.

Freedom of Association:

The Cambodian Constitution and Labor Code guarantee freedom of association, and workers exercise this freedom. The number of labor registered labor unions has risen from 20 at the end of 1997 to 106 in June 2000. The Labor Law protects workers from discrimination on the basis of union activity. In practice, however, the government does not effectively guarantee such protection. In the garment industry, there is a climate of impunity for factory managers who violate these freedom of association provisions. There continue to be credible reports of anti-union activity on the part of management, including harassment and dismissal of union leaders and members, intimidation of workers, and interference in union formation and union activities. There is also evidence of inappropriate government involvement in the establishment of unions in some enterprises.

Ambiguities within the Labor Law also disadvantage unions. The law specifically gives shop stewards protection from dismissal, while union leaders and union members only enjoy protection from discrimination. This puts unions in the difficult position of having to convince the government or courts that the dismissal of leaders or members is due to discrimination.

Overlapping legal rights and duties of shop stewards versus union leaders are also a problem. The Labor Law gives unions the right to negotiate with management over wages and working conditions and allows unions to nominate candidates for shop steward positions.

However, the Law gives shop stewards the right to represent the union to the company director and to sign collective bargaining agreements. As a result of this conflict with the duties of shop stewards, union leaders frequently complain that managers do not recognize their right to negotiate on behalf of their members. The Cambodian government has prepared a draft declaration to clarify this ambiguity, but legislative changes may be necessary.

Collective Bargaining:

Because of the weak capacity of Cambodia's labor unions, and the difficulty they face winning the right to negotiate with management, the practice of collective bargaining has not yet begun in Cambodia on a meaningful scale. Although the Labor Law allows for collective bargaining, MOSALVY has only registered 2 collective bargaining agreements to date. Meanwhile, Cambodia's labor unions struggle simply to win employers' compliance with the Labor Law.

Acceptable Conditions of Work:

Wages in Cambodia are set by market forces, except for civil servants, for whom wages are set by the government. MOSALVY has the right to set minimum wages for each sector of the economy based on recommendations by the Labor Advisory Committee. MOSALVY formally exercised this authority for the first time in July 2000, when it approved a \$45/month minimum wage for the garment and footwear sector. Prior to that minimum wages in the garment industry were enshrined in a memorandum of understanding between the government and the Garment Manufacturers Association. Garment factories almost universally observe the minimum wage. There is no minimum wage for any other industry.

Typically, garment workers earn between \$45 and \$100 per month. Prevailing monthly wages in the garment sector and many other professions are insufficient to provide a worker and family with a decent standard of living. Civil service salaries are also far below market levels, requiring government officials to secure outside sources of income. This results in corruption and conflicts of interest.

The Labor Law provides for a standard legal workweek of 48 hours, not to exceed 8 hours per day. The law stipulates time-and-one-half for overtime, and double time if overtime occurs at night, on Sunday or on a holiday. Despite reminders from MOSALVY concerning hours of work, workers in many garment factories complain that overtime is excessive and/or involuntary, or that they are required to work 7 days per week.

The Labor Law states that the workplace should have health and safety standards adequate to ensure workers' well-being. The government has issued several instructions on workplace standards, and more detailed regulations await approval by the Labor Advisory Committee before they can be promulgated. The government enforces existing standards inconsistently, in part because it lacks staff, equipment and training. Work related injury and health problems are common. Conditions in small-scale factories and cottage industries are generally poor and often do not meet international standards. Penalties are specified in the Labor Law but there are no specific provisions to protect workers who complain about unsafe or

unhealthy conditions. Workers who remove themselves from unsafe working conditions risk loss of employment.

4 . Key Labor Indicators

	1998	1999	Source
Nominal GDP (US\$ millions)	2,868	3,131	a
Nominal GDP (Cambodian riel billions)	10,900	11,960	a
Per capita GDP (US\$ millions)	252	268	a
Population (millions)	11.44	11.56	b
- in major urban areas	1.80	2.13	b
Annual population growth (pct.)	2.49%	1.10%	c
Life expectancy at birth (years)			d
- male	51.5	51.5	
- female	55.0	55.0	
Adult literacy rate (pct.)	67.3%	71.2%	b
Labor force (millions)	5.12	5.54	b
- male	2.48	2.64	
- female	2.64	2.90	
- in industry (pct.)	4.3%	6.4%	
- in agriculture (pct.)	77.5%	76.5%	
- in services (pct.)	4.3%	6.4%	
Unionized labor force (pct. of total)	.1-.2%	.1-.2%	e
- in garment industry (pct. of total)	5-10%	5-10%	e
Unemployment rate (pct.)	5.3%	0.6%	f
Underemployment rate (pct.)	n/a	6.5%	f
person days lost to industrial disputes (1000's)	n/a	14-16	e
Minimum wage rate (US\$/month - applies to garment/footwear industry only)	40	40	
Monthly compensation costs for laborer (US\$)	n/a	150	e
- clerical	n/a	80	
- mechanic			
- commercial assistant	n/a	350	
Average hours worked per week	48	48	e
Pct. of population below poverty level	35.9	35.9	g
Inflation (pct. change in CPI in Cambodian riel)	12.8	0.0	a

Source:

a: Ministry of Economy and Finance

b: National Institute of Statistics

c: Embassy estimate. 1999 population growth understated due to statistical discrepancy.

d: United Nations Population Fund (UNFPA)

e: Embassy estimate

f: National Institute of Statistics. This data is not reliable.

g: Ministry of Planning Socio-Economic Survey

5. Directory of Labor Organizations

Cambodia Federation of Independent Trade Unions

No. 45, Street 63
Boeung Keng Kang I
Khan Chamkarmon
Phnom Penh, Cambodia
Tel: (855-23) 213 356
Contact Person: Mr. Ros Sok, president

Cambodia Labor Union Federation

No. 788, Street 474
Sangkat Boeung Trabek
Khan Chamkarmon
Phnom Penh, Cambodia
Tel: (855-12) 866 682
Contact Person: Mr. Som Aun, president

Cambodian Unions Federation

No. 18A, Street 112
Sangkat Psar Depo III
Khan Toulkok
Phnom Penh, Cambodia
Tel: (855-23) 842 382
Fax: (855-23) 882 453
Email: cuf@bigpond.com.kh
Contact Person: Mr. Chuon Mom Thol, president

Free Trade Union of Workers of the Kingdom of Cambodia

No. 28B, Street 222
Sangkat Beung Raing
Phnom Penh, Cambodia
Tel/Fax: (855-23) 216 870
Email: FTUWKC@forum.org.kh
Contact Person: Mr. Chea Vichea, president

National Independent Federation Textile Union of Cambodia

No. 29B, Street 432
Sangkat Toul Toumpoung II
Khan Chamkarmon
Phnom Penh, Cambodia
Tel/Fax: (855-23) 219 239
Email: NIFTUC@forum.org.kh
Contact Person: Ms. Morm Nhim, president

Cambodian Labor Organization

No. 59, Street 432
Sangkat Toul Tompoung II
Khan Chamcar Mon
Phnom Penh, Cambodia
Email: CLO@forum.org.kh
Tel: (855-23) 218 132
Contact Person: Mr. Seng Phally, exec. director

ILO-Danida Workers' Education Project

No. 8, Street 352
Boeung Keng Kang I
Phnom Penh, Cambodia
Tel: (855-23) 428 210
Fax: (855-23) 427 632
Email: rithy_work.ed@bigpond.com.kh
Contact Person: Mr. Noun Rithy, National Project Coordinator

ILO - International Program on the Elimination of Child Labor (IPEC)

No. 258 St. 63
Boeung Keng Kang
Phnom Penh, Cambodia
Tel: (855-23) 428-210
Fax: (855-23) 427-632
Email: sophea.io.ipecc@bigpond.com.kh
Contact Person: Mr. Mar Sophea, National Program Coordinator

Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation

68, Preah Norodom Blvd.
Phnom Penh, Cambodia
Tel/Fax: (855-23) 217-322
Contact Person: H.E. Mr. Ith Samheng, Minister

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